

ACT 84

H.B. NO. 2354

A Bill for an Act Relating to Industrial Loan Companies.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. Section 408-14.7, Hawaii Revised Statutes, is amended to read as follows:

**“~~[[~~§408-14.7~~]]~~ Loans; collateral required.** (a) No industrial loan company shall either directly or indirectly make any loan, advance or extension of credit which will exceed the greater of \$25,000 or five per cent of the paid-up capital and surplus of the industrial loan company unless such loan, advance or extension is secured by collateral so that the amount of the loan, advance or extension of credit, when added together with the outstanding balances of any prior liens, will not exceed ninety-five per cent of the fair market value of the collateral; provided, however, that secured. ~~However,~~ loans, advances or extensions of credit [to];

- (1) To affiliates shall be secured by collateral so that the amount of the loan, advance or extension of credit, when added together with the outstanding balances of any prior liens, will not exceed eighty per cent of the fair market value of the collateral[.];

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[(1) Loans secured] (2) Secured by unimproved raw land [shall not exceed], when added together with the outstanding balances of any prior liens, shall not exceed seventy per cent of the appraised value.

[(2)] All real property used as collateral for loans in excess of \$25,000 made under this section shall be appraised by a qualified appraiser before making the loan.

(b) Notwithstanding (a), an industrial loan company may make loans secured by improved residential real properties using the most recent real property tax assessment value if the following conditions are met:

(1) The amount of the loan, advance or extension of credit, when added together with the outstanding balances of any prior liens, will not exceed seventy per cent of the tax assessment value of the property when the property is fee simple, and sixty per cent of the tax assessment value of the property when the property is leasehold; and

(2) The use of tax assessment values is made pursuant to a written loan policy which describes the situation where such values may be used.

[(b)] (c) The provisions of this section shall not prevent [any] an industrial loan company from [taking] placing additional liens on [existing or new] any collateral [of any kind] to secure the repayment of debt previously contracted for in good faith when the [subsequent] additional liens are necessary to further secure the payment of [any] the debt and to save the company from loss.”

SECTION 2. Statutory material to be repealed is bracketed. New statutory material is underscored.

SECTION 3. This Act shall take effect upon its approval.

(Approved May 14, 1988.)